

Financial Statements
Wheeler Township
Gratiot County, Michigan

June 30, 2006



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Wheeler Township	County Gratiot
Fiscal Year End 6-30-06	Opinion Date 8-22-06	Date Audit Report Submitted to State 10-26-06	

We affirm that:

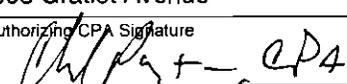
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-----|----|--|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|----|--|
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. The local unit has adopted a budget for all required funds.
 5. A public hearing on the budget was held in accordance with State statute.
 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. The local unit only holds deposits/investments that comply with statutory requirements.
 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. The local unit is free of repeated comments from previous years.
 12. The audit opinion is UNQUALIFIED.
 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. The board or council approves all invoices prior to payment as required by charter or statute.
 15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	No other reports required.
Certified Public Accountant (Firm Name) Roslund, Prestage & Company, P.C.		Telephone Number 989-463-6123
Street Address 308 Gratiot Avenue		City Alma
		State MI
		Zip 48801
Authorizing CPA Signature 	Printed Name CHAD R. PAYTON, CPA	License Number 21946

Wheeler Township
Financial Statements
June 30, 2006

Table of Contents

Page Number

Independent Auditor's Report

Management's Discussion and Analysis

I - IV

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets

1

Statement of Activities

2

Fund Financial Statements:

Balance Sheet – Governmental Funds

3

Reconciliation of Fund Balances on the Balance Sheet for
Governmental Funds to Net Assets of Governmental
Activities on the Statement of Net Assets

4

Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds

5

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

6

Statement of Net Assets – Fiduciary Funds

7

Notes to the Financial Statements

8 – 16

Required Supplemental Information

Budgetary Comparison Schedule

17 - 19

Government Auditing Standards Report

20 - 21



Independent Auditor's Report

Wheeler Township Board
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wheeler Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wheeler Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wheeler Township, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2006 on our consideration of Wheeler Township's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages I-IV and the budgetary comparison information on pages 17 – 19 are not a required part of the basic financial statements but is supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 22, 2006

MANAGEMENT'S DISCUSSION and ANALYSIS

Wheeler Township Management Discussion and Analysis Letter

We, the Township Board of Wheeler Township, offer citizens of the Township, our financial statements with this narrative overview and analysis of the financial activities of Wheeler Township for the fiscal year ended June 30, 2006.

Financial Highlights

- The unrestricted net assets of Wheeler Township exceeded its liabilities at the close of the most recent fiscal year by **\$233,984**, which may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of **\$233,984**, an increase of **\$13,244** from the prior year fund balance.
- At the end of the current fiscal year, unreserved fund balance for the general fund was **\$230,606** or **118%** of total general fund expenditures.
- The Township's total expenditures decreased by **\$20,421** during the current fiscal year. The key factors in this decrease relate to the fact that in the prior year, the Township was paying the County to process their tax bills while they were in the process of a software conversion with the help of an assistant. In 2006, the Township no longer pays the County for bill processing and since the software conversion is complete, they no longer pay the assistant.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Wheeler Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as fire runs receivable.

Both the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The **governmental activities** of the Township include: general government, public safety, road projects, projected sanitation, and culture and recreation. The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Wheeler Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, citizens may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Wheeler Township maintains **four (4)** individual governmental funds. **(1)** General Fund, **(2)** Street Light Fund, **(3)** Capital Projects Fund, and **(4)** Permanent Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund. All are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 8 through 16 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budget to actual comparison. Required supplementary information can be found on pages 17-19 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of Wheeler Township, total assets, including capital assets, exceeded liabilities by **\$413,490** at the close of the most recent fiscal year.

One of the most significant portions of the Township's net assets, reflects its careful investment in capital assets (e.g., land, buildings, equipment), over the years, with no related debt remaining to acquire these assets. The Township used these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending.

Governmental Activities. Planned Governmental activities elements for the upcoming year are as follows:

1. Future repair to the Township hall roof.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Township's net resources available for spending at the end of the fiscal year.

Unrestricted net assets of the Capital Sewer fund at the end of the year amounted to \$40. Factors concerning the finances of the fund will not be addressed until 2008 when grant monies from USDA's Rural Development could be obtained. A total cost of the project is \$2,100,000. A bond issue will also be addressed at that time for approximately \$500,000 for 25% of the debt retirement on the proposed sewer project.

General Fund Budgetary Highlights

There were not any material differences between the original budget and final amended budget.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$179,506, which is net of accumulated depreciation. This investment in capital assets includes: land, buildings and system, improvements, equipment, park facilities.

Major capital asset events during the current fiscal year included the following:

1. Computer and computer software for the treasurer's office.
2. The new Automark handicap voting equipment provided thru a federal grant and the HAVA Act (Help America Vote Act. A previous optical scan unit had been provided during the 2005 budget year, also part of the federal grant.)

Details of the Township's capital assets are continued in the notes to the financial statements on page 14.

Long-Term Debt. At the end of the current fiscal year, the Township had no major debts left outstanding.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan. State-shared revenues are expected to increase in the 2006-2007 fiscal year by approximately 3%. The Township budgeted for this increase in state-shared revenue. The Township's millage rate was reduced again by the Headlee Amendment rollback to 1.0285 mills for general operating purposes. Also considered was the small increase in return of interest payments on the Township's money-market, CD's and Treasury Note which all figure into the general fund appropriations. These factors were all considered in preparing the Township's budget for the 2006-2007 fiscal year.

The Township presented a balanced budget in the 2006-2007 fiscal year, although some funding is expected to be withdrawn from the current fund balance accounts held in reserve to meet budgeted appropriations.

No rate increases for fire or rescue runs were proposed although a new budget line item for rescue run fees will be enacted in the fiscal year at a rate of \$100 per run to recoup Township costs. No rate increases for hall rentals were proposed. An approved fire millage resulted in revenues of \$32,400 placed in the following restricted funds with the fire/rescue department: vehicle replacement fund and equipment replacement fund. Miscellaneous funding for civil infractions, were included in the 2006-2007 budget as enforcement of Township ordinances are contracted with the Village of Breckenridge Police Department. The Township also increased the new budget to include door-to-door trash pickup in the amount of \$67,000.

Requests for Information

This financial report is designed to provide a general overview of Wheeler Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the supervisor of the Township in writing at 8510 E. Monroe Rd., Wheeler Michigan, 48862 or by telephone 989-842-3428.

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT WIDE FINANCIAL STATEMENTS**

Wheeler Township
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$209,862
Accounts receivable, net	2,790
Due from other governmental units	<u>32,378</u>
Total current assets	<u>245,030</u>
Noncurrent assets	
Capital assets less accumulated depreciation	<u>179,506</u>
Total assets	<u>424,536</u>
Liabilities	
Current liabilities	
Accounts payable	<u>11,046</u>
Total liabilities	<u>11,046</u>
Net Assets	
Invested in capital assets, net of related debt	179,506
Unrestricted	<u>233,984</u>
Total net assets	<u><u>\$413,490</u></u>

See accompanying notes to financial statements

Wheeler Township
Statement of Activities
For the year ended June 30, 2006

	Expenses	Program Revenues	Net (expense) revenue and changes in net assets
Functions/Programs			
Primary Government			
General government	\$129,304	\$500	(\$128,804)
Public safety	31,434	16,972	(14,462)
Public works	44,597	-	(44,597)
Community and economic development	630	810	180
Recreation and culture	1,245	-	(1,245)
	\$207,210	\$18,282	(188,928)
General Revenues			
Property taxes			80,568
State shared revenues			102,891
Unrestricted investment earnings			8,743
Miscellaneous revenues			9,410
			201,612
Change in net assets			12,684
Net assets - beginning of year			400,806
Net assets - end of year			\$413,490

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

Wheeler Township
Balance Sheet
Governmental Funds
June 30, 2006

	MAJOR FUNDS					Total Governmental Funds
	General	Street Light	Capital Projects	Permanent Fund		
Assets						
Cash and cash equivalents	\$206,212	\$1,824	\$40	\$1,786		\$209,862
Accounts receivable, net	2,790	-	-	-		2,790
Due from other governmental units	32,378	-	-	-		32,378
Total assets	<u>\$241,380</u>	<u>\$1,824</u>	<u>\$40</u>	<u>\$1,786</u>		<u>\$245,030</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$10,774	\$272	-	-		\$11,046
Total liabilities	<u>10,774</u>	<u>272</u>	<u>-</u>	<u>-</u>		<u>11,046</u>
Fund balances						
Reserved for perpetual care	-	-	-	\$1,786		1,786
Unreserved	230,606	1,552	\$40	-		232,198
Total fund balances	<u>230,606</u>	<u>1,552</u>	<u>40</u>	<u>1,786</u>		<u>233,984</u>
Total liabilities and fund balances	<u>\$241,380</u>	<u>\$1,824</u>	<u>\$40</u>	<u>\$1,786</u>		<u>\$245,030</u>

See accompanying notes to financial statements

Wheeler Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended June 30, 2006

Total fund balance - governmental funds \$233,984

Amounts reported for governmental activities in
the statement of net assets are different because:

Capital assets used in governmental activities are
not financial resources and, therefore, are not
reported in the funds.

Cost of capital assets	383,656	
Accumulated depreciation	<u>(204,150)</u>	
		<u>179,506</u>

Net assets of governmental activities \$413,490

See accompanying notes to financial statements

Wheeler Township
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	MAJOR FUNDS					Total Governmental Funds
	General Fund	Street Light	Capital Projects	Permanent Fund		
Revenues						
Taxes and penalties	\$77,182	\$3,386	-	-	-	\$80,568
Licenses and permits	810	-	-	-	-	810
State grants	102,891	-	-	-	-	102,891
Charges for services	16,972	-	-	\$500	-	17,472
Interest and rentals	8,738	-	-	5	-	8,743
Other revenues	2,618	-	-	-	-	2,618
Total revenues	209,211	3,386	-	505	-	213,102
Expenditures						
General government	99,646	-	-	-	-	99,646
Public safety	31,434	-	-	-	-	31,434
Public works	39,906	3,191	\$1,500	-	-	44,597
Community and economic development	630	-	-	-	-	630
Recreation and cultural	1,245	-	-	-	-	1,245
Other	18,506	-	-	-	-	18,506
Capital outlay	3,800	-	-	-	-	3,800
Total expenditures	195,167	3,191	1,500	-	-	199,858
Excess of revenues over (under) expenditures	14,044	195	(1,500)	505	-	13,244
Other financing sources (uses)						
Operating transfers in	-	-	1,500	-	-	1,500
Operating transfers out	(1,500)	-	-	-	-	(1,500)
Excess of revenues and other sources over (under) expenditures and other uses	12,544	195	-	505	-	13,244
Fund balance - beginning of year	218,062	1,357	40	1,281	-	220,740
Fund balance - end of year	\$230,606	\$1,552	\$40	\$1,786	-	\$233,984

See accompanying notes to financial statements

Wheeler Township
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$13,244
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	3,247
Add: donated items	6,792
Deduct: depreciation expense	<u>(10,599)</u>
Change in net assets of governmental activities	<u><u>\$12,684</u></u>

See accompanying notes to financial statements

Wheeler Township
Statement of Net Assets
Fiduciary Funds
June 30, 2006

	<u>Trust & Agency</u>
Assets	
Cash	<u>\$2,670</u>
Total assets	<u>2,670</u>
Liabilities and Fund Balances	
Liabilities:	
Due to other governmental units	<u>2,670</u>
Total liabilities	<u>2,670</u>
Fund balances:	<u>-</u>
Total liabilities and fund balances	<u><u>\$2,670</u></u>

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Wheeler Township
Notes To The Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Wheeler Township have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township is governed by a Township Board consisting of five members and provides services to its over 1,000 residents in many areas including public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements and general administrative services. The accompanying financial statements present only the primary government as the Township does not have any component units.

Joint Venture

The Township is a member of the Breckenridge-Wheeler Township Fire-Rescue Department Joint Venture, which provides fire and rescue services to residents of Wheeler Township and the Village of Breckenridge. The participants provide annual funding for its operations. During the current year, the Township contributed approximately \$27,000 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the year ended March 31, 2005 can be obtained from the administrative offices at Breckenridge-Wheeler Township Fire-Rescue Department, P.O. Box 68, Wheeler, MI 48662.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by intergovernmental revenues.

Wheeler Township
Notes To The Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Wheeler Township
Notes To The Financial Statements

Fiduciary Fund Financial Statements – Fiduciary funds account for assets held by the Township as a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Street Light Fund accounts for the proceeds of specific revenue sources that are restricted to expenditures for the Township's street lights.

The Capital Projects Fund accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities (other than those financed by proprietary funds).

The Permanent Fund represents the Township's trust arrangement in which the Township is the beneficiary of the earnings on the principal to be used exclusively for care and maintenance of its cemetery.

Property Taxes

The Township's property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2005 ad valorem tax is levied and collectible on December 1st, 2005, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Township totaled \$54.3 million, on which advalorem taxes levied consisted of 1.0285 mills for the Township operations. The total 2005 levy for the Township was \$56,270 and is recognized in the general fund financial statements as tax revenue.

Wheeler Township
Notes To The Financial Statements

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand and certificates of deposit. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Inventories

The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Wheeler Township
Notes To The Financial Statements

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Equipment and Furnishings	5-15
Buildings and Improvements	15-50
Land	Not Applicable – Not Depreciated

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Township adopts budgets for the general fund, street light fund, and capital projects fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the function level.

Wheeler Township
Notes To The Financial Statements

Formal budgetary integration is employed as a management control device during the year for the general fund and all other major funds.

The Township does not maintain a formalized encumbrance accounting system.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year ended June 30, 2006, the Township incurred expenditures in excess of the amounts appropriated as shown on pages 17 - 19 of this report.

NOTE 3 – DETAIL NOTES

Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At June 30, 2006, the carrying amount of the Township's deposits and investments was as follows:

Deposits with financial institutions:	
Interest bearing checking, savings, money market accounts	\$20,923
Certificates of Deposit	188,939
Total	\$209,862

Wheeler Township
Notes To The Financial Statements

At year end, the carrying amount of the Township's cash deposits and investments was \$209,862 and the bank balance was \$222,899. Of the bank balance, \$169,861 was covered by federal depository insurance and \$53,038 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from Other Governmental Units

As of June 30, this receivable consisted of amounts to be received from the State of Michigan for revenue sharing.

Capital Assets

Capital assets of the primary government for the current year are as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Land – Not Depreciated	\$37,600	-	-	\$37,600
Equipment and Furnishings	46,640	\$10,039	(\$2,823)	53,856
Buildings and Improvements	292,200	-	-	292,200
Sub-totals	376,440	10,039	(2,823)	383,656
Accumulated Depreciation	(196,374)	(10,599)	\$2,823	(204,150)
Totals	\$180,066	(\$560)	-	\$179,506

Depreciation expense of \$10,599 was charged to the general government program.

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 4 - OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Retirement Plan

Plan Description

The Township has a defined contribution pension plan for all elected officials. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

Plan Funding

Contributions are based on an annual compensation schedule and are made annually. The Township is responsible to contribute 15% of an employee's annual salary and all administrative and service fees. Contributions for the June 30, 2006 year totaled \$9,360.

Wheeler Township
Notes To The Financial Statements

Building Inspection Department Fund

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to tract the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended June 30, 2006 were \$810. The expenditures incurred for this activity during the year ended June 30, 2006 were \$630.

REQUIRED SUPPLEMENTAL INFORMATION

Wheeler Township
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	\$76,000	\$76,000	\$77,182	\$1,182
Licenses and permits	1,500	1,500	810	(690)
State grants	104,000	104,000	102,891	(1,109)
Charges for services	13,750	13,750	16,972	3,222
Interest and rentals	8,700	8,700	8,738	38
Other revenues	500	500	2,618	2,118
Total revenues	<u>204,450</u>	<u>204,450</u>	209,211	4,761
Expenditures				
General government	110,000	104,360	99,646	4,714
Public safety	23,700	33,178	31,434	1,744
Public works	44,650	47,030	39,906	7,124
Community and economic development	1,600	1,600	630	970
Recreation and cultural	1,500	1,500	1,245	255
Other	23,000	17,600	18,506	(906)
Capital outlay	-	3,150	3,800	(650)
Total expenditures	<u>204,450</u>	<u>208,418</u>	195,167	13,251
Excess of revenues over (under) expenditures	-	(3,968)	14,044	18,012
Other financing sources (uses)				
Operating transfers in	2,000	2,000	-	(2,000)
Operating transfers out	(2,000)	(2,000)	(1,500)	500
Excess of revenues and other sources over (under) expenditures and other uses	-	(3,968)	12,544	16,512
Fund balance - beginning of year	<u>218,062</u>	<u>218,062</u>	<u>218,062</u>	-
Fund balance - end of year	<u>\$218,062</u>	<u>\$214,094</u>	<u>\$230,606</u>	<u>\$16,512</u>

See accompanying notes to financial statements

Wheeler Township
 Budgetary Comparison Schedule
 Street Light Fund
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and penalties	<u>\$5,146</u>	<u>\$5,146</u>	<u>\$3,386</u>	<u>(\$1,760)</u>
Total revenues	5,146	5,146	3,386	(1,760)
Expenditures				
Public works	<u>3,060</u>	<u>3,060</u>	<u>3,191</u>	<u>(131)</u>
Total expenditures	<u>3,060</u>	<u>3,060</u>	<u>3,191</u>	<u>(131)</u>
Excess of revenues over (under) expenditures	2,086	2,086	195	(1,891)
Fund balance - beginning of year	<u>1,357</u>	<u>1,357</u>	<u>1,357</u>	<u>-</u>
Fund balance - end of year	<u><u>\$3,443</u></u>	<u><u>\$3,443</u></u>	<u><u>\$1,552</u></u>	<u><u>(\$1,891)</u></u>

See accompanying notes to financial statements

Wheeler Township
 Budgetary Comparison Schedule
 Capital Projects Fund
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Public works	-	-	\$1,500	(\$1,500)
Total expenditures	-	-	1,500	(1,500)
Excess of revenues over (under) expenditures	-	-	(1,500)	(1,500)
Other financing sources (uses)				
Operating transfers in	-	-	1,500	\$1,500
Excess of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Fund balance - beginning of year	\$40	\$40	40	-
Fund balance - end of year	<u>\$40</u>	<u>\$40</u>	<u>\$40</u>	<u>-</u>

See accompanying notes to financial statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Township Board
Wheeler Township
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wheeler Township (the Township) as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated August 22, 2006.

This report is intended solely for the information and use of management and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Roslund, Prestage & Co, PC

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 22, 2006



Management Letter

Members of the Board
Wheeler Township
Wheeler, Michigan

In planning and performing our audit of the financial statements of Wheeler Township for the fiscal year ended June 30, 2006, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated August 22, 2006 on the financial statements of Wheeler Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

Roslund, Prestage & Co, PC
Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 22, 2006

Organizational Structure

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions, including the review of paid invoices, cancelled checks, and bank statements.

Separately Code Capitalizable Expenditures

The Township does not capitalize property and equipment acquisitions during the year; instead, the expenditures are recorded in one expense account, along with small equipment purchases, and then, when the annual financial statements are prepared, capitalizable expenses are reclassified.

In order to identify those purchases that will be capitalized, we recommend that purchases of major property and equipment be coded to a separate expense account. This will allow management to continue to assess all current expenditures along with identifying significant purchases of property and equipment that will later be capitalized in the financial statements.